

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

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**CALIFORNIA MEDICAL ASSISTANCE COMMISSION**

State Personnel Board
801 Capitol Mall, Room 150
Sacramento, CA

Minutes of Meeting
May 24, 2007

COMMISSIONERS PRESENT

Cathie Bennett Warner, Chair
Michele Burton, M.P.H.
Wilma Chan
Jerome Horton
John Longville
Nancy McFadden

COMMISSIONER ABSENT

Vicki Marti

CMAC STAFF PRESENT

Keith Berger, Executive Director
Tacia Carroll
Paul Cerles
Denise DeTrano
Holland Golec
Mark Klobberdanz
Katie Knudson
Cecilia Lacoste
Steve Soto
Becky Swol
Michael Tagupa
Mervin Tamai
Karen Thalhammer

EX-OFFICIO MEMBERS PRESENT

Toby Douglas, Department of Health Services
Thomas Williams, Department of Finance

I. Call to Order

The May 24, 2007 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Cathie Bennett Warner. A quorum was present.

II. Approval of Minutes

The May 10, 2007 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

Keith Berger, Executive Director, began his report by informing meeting attendees that there was an agenda item for today's meeting inviting public comment from interested parties on general issues they would like the CMAC to consider as this year's Distressed Hospital Fund (Fund) process is implemented.

Mr. Berger indicated that copies of written comments that CMAC has received regarding the Fund process are available to the public at today's meeting, and that some of the organizations who submitted written comments may also be here today to address the Commission directly.

At this time, Mr. Berger asked Ex-Officio member of CMAC, Mr. Thomas Williams, Department of Finance, to give the Commission an update of the Governor's May Revision of the Budget.

Mr. Williams reported two aspects of the May Revision that he thought would be of interest to CMAC. First, Mr. Williams explained that included in the budget was \$214 million (\$107 million from the General Fund) to adopt the rate methodology from the Mercer study. Included in that amount is a one-time hold harmless for the budget year to help transition to the new rate methodology, while maintaining the integrity of the health plan network.

The second area of interest in the May Revision of the budget, Mr. Williams indicated, was the Assembly approved trailer bill language which would move all managed care rate negotiations for County Organized Health Systems (COHS) from CMAC to the California Department of Health Services (CDHS).

In addition, he said, the Senate amended the language at their staff's recommendation to also propose transferring the responsibility for establishing Geographic Managed Care rates and contract terms from CMAC to CDHS so that all Medi-Cal managed care rates and contracts become the Department's responsibility. Since the Assembly approved CDHS's trailer bill language as proposed, that additional part of the Senate action will be a conference committee item.

Regarding a personnel change in the office, Mr. Berger was sad to report that Marilyn Nishikawa, CMAC's office technician and receptionist, has moved on to work at the Governor's Office. CMAC will miss her, but knows she will do well there. He said CMAC has currently begun the recruitment process in hopes to fill her position, but in the meantime a temp will be brought in to help staff answer the phones.

Mr. Berger noted that there were 15 amendments and contracts before the Commissioners for review and action in closed session, as well as several important negotiation updates and discussions of ongoing negotiation strategies.

Mr. Berger concluded his report by reminding CMAC that it will be three weeks until the next CMAC meeting, which will be on June 14. He noted that the meeting notice would go out at the end of next week.

IV. Department of Health Services (CDHS) Report

Toby Douglas, Assistant Deputy Director, Medical Care Services, CDHS, began his report by informing CMAC that the Governor's health care reform proposal continues to be a priority for the Administration. He explained that CDHS has been working with various stakeholders regarding modeling for hospital rates and provider fee components.

Mr. Douglas noted that the California HealthCare Foundation has been funding an analytic component of the various health care reform proposals that focuses on modeling the impacts on coverage and financing. Last week, Jon Gruber, Department of Economics, Massachusetts Institute of Technology (MIT), outlined the impacts for the major reform plans, which should help in the upcoming discussions.

Regarding the Health Care Coverage Initiative, a part of the hospital financing waiver, Mr. Douglas reported that CDHS is in contact with the 10 selected counties by conference calls every other week. He said that CDHS continues to work towards agreement on final terms and conditions with the Centers for Medicare & Medicaid Services (CMS) so that implementation, can continue as scheduled for September 1, 2007.

At this time, Chair Bennett Warner invited public comment regarding the Distressed Hospital Fund. Members of the public were asked to present in the order as listed on the sign-up sheet.

Summaries of these public comments are attached. Copies of written comments received by CMAC are also available upon request and may provide more detail regarding the statements made in the public session.

Mr. Berger thanked presenters for taking the time to both submit written comments and to appear in front of CMAC today. He expressed that CMAC plans to use the Fund's limited resources as wisely and effectively as possible. He also mentioned that the Fund may receive additional stabilization funding once CDHS is able to obtain federal approval of the physician services State Plan Amendment (SPA) and then complete the baseline and stabilization calculations for the first year of the hospital financing waiver.

Mr. Berger noted that he was pleased to hear support for distributing a larger amount of funds for a smaller group of hospitals. He said that it is CMAC's intention to give full consideration to all submitted proposals for distressed hospital funding. Mr. Berger explained that this is a difficult process, and CMAC appreciates the support of the hospitals and organizations that are present today.

V. New Business/Public Comments/Adjournment

There being no further new business and no additional comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital contracts and amendments in closed session. The open session was then adjourned.

Summary of Public Comments on Distressed Hospital Fund (DHF) Process

May 24, 2007 Commission Meeting

Rob Fuller – Downey Regional Medical Center

- CMAC's undertaking of DHF last year was appropriate in that it allowed hospitals to make the case of how important they were to providing essential services to the Medi-Cal population.
- CMAC should consider each hospital's level of endangerment of going out of business, especially those hospitals that are "near-DSH."

Diana Dooley – California Children's Hospital Association (CCHA)

- DHF is important to safety net hospitals, with very special needs such as children's hospitals, and CCHA is appreciative of the discretion CMAC exercises and the understanding CMAC provides towards their member hospitals.
- While these and other supplemental funds are important to hospitals, they are only a stop-gap measure. CCHA is working to support health reform.

Barbara Glaser – California Hospital Association

- DHF qualifying hospitals show an aggregate loss of \$2 billion in uncompensated care.
- "Chronic under-funding" continues to be the broader issue. CMAC is encouraged to use DHF in conjunction with addressing the deficiency in Medi-Cal payments through rate negotiations.
- Would like to see CMAC continue to disperse a significant amount of DHF money to a small number of deserving hospitals.

Russ Inglish – Western Medical Center – Santa Ana

- CMAC and hospitals have a common goal to provide quality economical hospital services to Medi-Cal beneficiaries.
- Many DSH, as well as non-DSH, hospitals are endangered of going out of business.
- Evaluate financial aspects of each hospital to determine what they need. Continue to award large dollar amounts to a small number of deserving hospitals.
- Keep an open mind during DHF selection process and look at the level of financial distress as well as the communities the hospitals serve.

Andrew Leeka – Good Samaritan Hospital

- Five Point program:
 1. Limit the number of participating hospitals receiving funds so amounts have more impact.
 2. Assess hospitals' financial losses overtime and critical services offered.
 3. Allocate funds first to hospitals without access to DSH funds.
 4. Avoid allocation to governmental hospitals that are reimbursed by certified public expenditures.
 5. Allow funds to cover cost of providing Medi-Cal care only.

Conway Collis – Daughters of Charity

- Recognize the needs of the entire community instead of just the needs of a specific hospital as the first question.
- Identify the role that particular hospitals need to play to meet needs of Medi-Cal beneficiaries.
- Consider how other funds (governmental or private) may be leveraged.
- Look at special needs of and availability of those services of specific Medi-Cal populations.
- Assessment of financial hardship faced by the hospital is critical, but CMAC also needs to determine if that hospital is a reliable provider to the patients in the community.

Erica Murray – California Association of Public Hospitals

- Do not exclude CPE public hospitals from receiving DHF money even though federal matching funds are not available. They are the cornerstone of the safety net system and still face significant financial challenges.
- Priority should be given to public and private DSH hospitals, given the sources of funds.
- Give preference to hospitals that demonstrate financial hardship due to serving the Medi-Cal population and uninsured patients

Richard Thomason – SEIU – United Healthcare Workers West

- Agree with others that the broader issue is underfunding of Medi-Cal providers.
- Examine the role hospitals play in their communities.
- Encourage focus on on-going health care problems in Los Angeles.